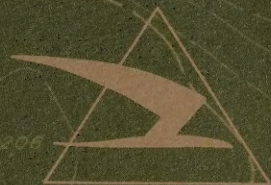


AR20



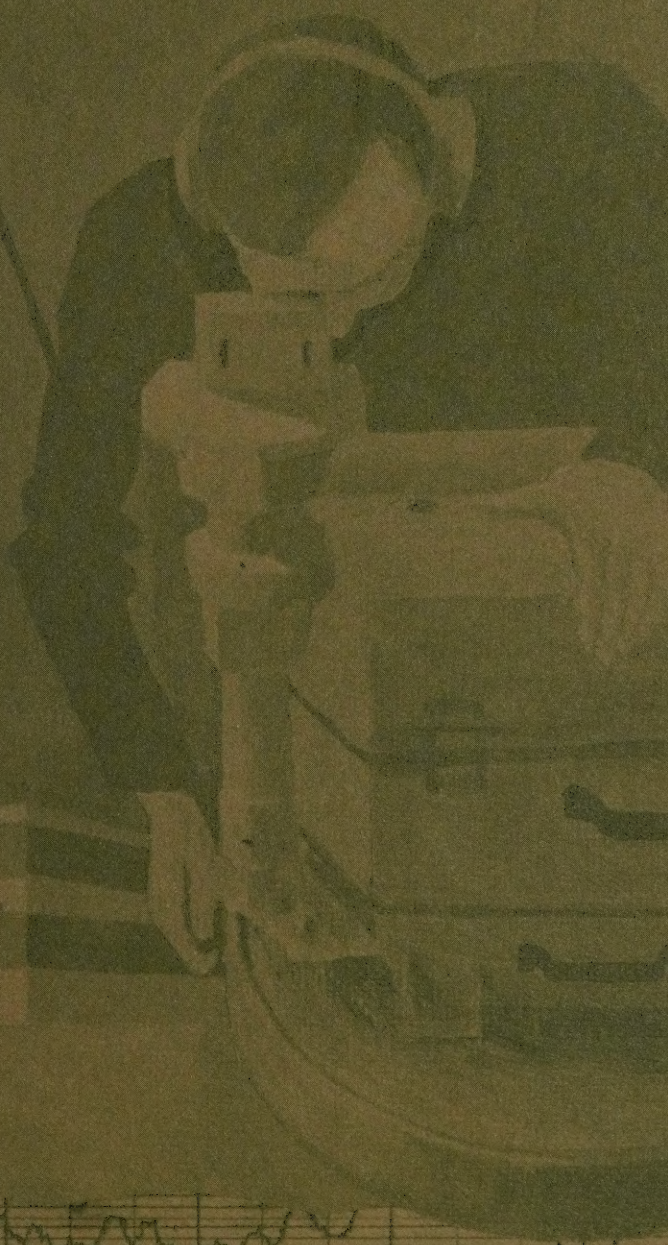
101/MRA 3 FIELD RECORD

FO. 1

OBSERVER FJH. STATION # 9

OBSERVER JKS. STATION 6

WEATHER OVERCAST



SPARTAN

Spartan Annual Report 1969

Spartan

**Air Services Limited
and its Subsidiaries**

Annual Report

FOR THE YEAR ENDED OCTOBER 31, 1969

SUBSIDIARY COMPANIES

Meridian Airmaps Limited
Lancing, England

Servicios Aereos Spartan, S.A.
Buenos Aires, Argentina

Sulmac Exploration Services Limited
Toronto, Canada

Velocity Surveys Limited
Calgary, Canada

DIRECTORS

H. Bloom

Z. Climan

R. H. Croll

P. DeZwirek

J. J. Glenny

N. E. Lamb

F. C. McConnell

P. F. McDonald

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company

Toronto

Montreal

Winnipeg

Vancouver

To the Shareholders:

I am pleased to inform you that a group of investors (represented by a majority on your new Board of Directors) subscribed for 1.5 million common shares which resulted in \$1.5 million being put into your Company on September 1, 1969. This group has not only taken a substantial financial position in your Company but has also assumed a very active role in management.

Your new management is evaluating all aspects of your Company's operations and, where necessary, will merge or acquire other companies in compatible areas of business in order to reduce overheads and increase volume. Negotiations are being held to further these aims.

The year ended October 31, 1969, showed a loss on operations of \$462,317. This result was not unexpected and, in fact, was foreseen a year ago. It was caused by three main problems: very high interest rates on borrowed funds, heavy overhead in the Ottawa division in relation to sales volume, and finally, a loss in Argentina (the first in seven years), due to maintaining staff and equipment for very large contracts that were anticipated but did not materialize until after the year end. I am confident that all three of these problem areas have now been cleared up.

The proceeds of the investment of \$1.5 million were used to retire short-term, high interest debts. In addition, cash will be raised from the disposal of certain fixed assets. This should enable your Company to substantially reduce its heavy interest borrowings.

I feel that the major problems of 1969 have been overcome. The goal set by your new Board is to break even on operations during the present fiscal year which would mean an improvement of slightly more than \$1 million. This vastly improved trend should certainly continue into the foreseeable future.

The Velocity Surveys division which services the oil and mining industries in Western Canada, has been very active and in great demand for the use of our new equipment and expertise for Arctic exploration. I look to a continued high volume with continued profitability.

The Meridian Airmaps division in England continues to be busy and profitable. It has now commenced operations on the Continent and this division should continue to grow.

Many of you have been patient with the Company and have seen it through many very difficult years. I am pleased to be able to submit this report to you.

N. E. LAMB,
President.

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And Subsidi

Consolidated Balance

ASSETS

Current Assets:

Cash	\$ 6,133	
Deposits and accounts receivable	1,796,086	
Due from director	10,167	
Unbilled contract work at selling price	282,396	
Inventories (note 2)	427,166	
Prepaid expenses	78,203	\$2,600,151
	<hr/>	

Fixed Assets, at cost:

Land	36,663	
Aircraft and aerial cameras	1,685,947	
Other equipment	2,141,779	
Buildings on leasehold land	198,950	
	<hr/>	
	4,063,339	
Less accumulated depreciation	2,203,099	1,860,240
	<hr/>	

Other Assets:

Accounts receivable and other non-current assets	184,446
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\$4,644,837

Approved by the Board:

N. E. Lamb, *Director*

R. H. Croll, *Director*

Services Limited

the laws of Canada)

y Companies

Sheet - October 31, 1969

LIABILITIES

Current Liabilities:

Bank advances (note 3)	\$ 318,520	
Accounts payable and accrued liabilities	1,261,526	
Note payable (note 4)	144,114	
Advance payments on government contracts	170,118	
Principal due within one year on long-term debt	273,517	\$2,167,795
Long-term debt (note 5)	714,684	
Less principal included in current liabilities	273,517	441,167
Interest of minority shareholders in a subsidiary company		60,322

SHAREHOLDERS' EQUITY

Capital Stock (note 6)

Authorized

1,350 6% Cumulative Class A preferred shares,
redeemable at par value of \$100

8,500 6% Cumulative Class B preferred shares,
redeemable at par value of \$100

10,000,000 Common shares without par value

Issued:

1,350 Class A preferred shares (note 7).....	135,000	
4,027,015 Common shares	4,583,555	
	4,718,555	
Deficit (note 8)	2,743,002	1,975,553
		<u>\$4,644,837</u>

Subsequent Events (note 9)

Long-Term Leases (note 10)

Spartan Air Services Limited And Subsidiary Companies

Consolidated Statement of Income Year Ended October 31, 1969

Sales		\$6,739,237
Operating costs		<u>7,201,554</u>
Operating loss before the undernoted		462,317
Depreciation (note 11)	\$369,412	
Amortization of organization and finance expenses	3,150	
Interest on long-term debt	59,175	
Remuneration of salaried directors in their capacity as company officers	56,790	
Minority interest in earnings of a subsidiary	<u>11,648</u>	
	500,175	
Other income	<u>33,352</u>	<u>466,823</u>
Loss before extraordinary items		929,140
Extraordinary items		
Loss less gain on sale of fixed assets including income taxes related thereto	35,973	
Adjustment of prior year's unbilled contract work	<u>91,120</u>	<u>127,093</u>
Loss for the year after extraordinary items		<u><u>\$1,056,233</u></u>

Consolidated Statement of Deficit Year Ended October 31, 1969

Deficit at beginning of year		
As previously reported		\$1,673,444
Add		
Adjustment of prior years' income taxes (note 12)		<u>13,325</u>
As restated		1,686,769
Loss for the year after extraordinary items		<u>1,056,233</u>
Deficit at end of year		<u><u>\$2,743,002</u></u>

AUDITORS' REPORT

To the Shareholders of
SPARTAN AIR SERVICES LIMITED

We have examined the consolidated balance sheet of Spartan Air Services Limited and subsidiary companies as at October 31, 1969 and the consolidated statements of income and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of foreign subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1969 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

Ottawa, Canada

May 6, 1970

Notes to Consolidated Financial Statements

Year Ended October 31, 1969

1. BASIS OF CONSOLIDATION AND CURRENCY CONVERSION

The consolidated financial statements include the accounts of Spartan Air Services Limited and those of all of its subsidiary companies. Accounts of subsidiaries expressed in foreign currencies have been converted into Canadian dollars at the rate of exchange at October 31, 1969, except (a) fixed assets (including depreciation thereon), long-term debt and capital stock at rates prevailing at dates of acquisition or issue and (b) income and expenses (other than depreciation) at the average rates of exchange in effect during the year.

2. INVENTORIES

Spare parts and supplies	\$245,303
Work in process	181,863
	<u>\$427,166</u>

Spare parts and supplies are valued at lower of cost and net realizable value. Work in process amounting to \$3,695 is valued at cost and the balance of \$178,168 is valued at selling price less estimated profit margin.

3. BANK ADVANCES

The bank loan of a subsidiary included in bank advances in the amount of \$30,315 is secured by land which cost \$36,663.

4. NOTE PAYABLE

19.21% Note secured by a specific assignment of the accounts receivable	<u>\$144,114</u>
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5. LONG-TERM DEBT

13.7% Loan payable U.S. \$11,375 monthly including interest, maturing July 3, 1972, secured by a debenture and a fixed and floating charge on the assets of the company and certain subsidiaries	(Cdn.)\$327,755
Notes payable under conditional sales contracts, maturing 1970-1974	287,208
Other long-term debts of subsidiaries	99,721
	<u>\$714,684</u>

6. CAPITAL STOCK

- a) Of the options granted previously on 700,000 common shares at 76¢ per share, 685,000 options were cancelled. The balance of these options expired November 29, 1969.
- b) During the year the company issued for cash 1,500,000 common shares and 800,000 share warrants, 711,112 of which were issued to directors, which may be exercised at the following prices:
 - i) \$1.25 per share if option exercised before the close of business on August 27, 1973.
 - ii) \$1.50 per share if option exercised before the close of business on August 27, 1974.
 The company reserved 800,000 common shares for the share warrants and an additional 200,000 common shares for employees' stock options.
- c) During the year the company received Supplementary Letters Patent changing the authorized capital from 4,000,000 to 10,000,000 common shares.

7. ARREARS OF DIVIDENDS ON CLASS A PREFERRED SHARES

Dividends on Class A preferred shares have been paid to the 1957 fiscal year and arrears amount to \$97,200.

8. DEFICIT

The deficit account includes capital surplus of \$45,700 set aside pursuant to section 61 of The Canada Corporations Act and contributed surplus of \$147,768.

9. SUBSEQUENT EVENTS

Subsequent to the year end the company entered into an agreement to purchase equipment at an approximate cost of \$128,000.

10. LONG-TERM LEASES

The company and certain of its subsidiaries rent buildings under long-term leases for various periods up to 40 years, the annual rental for which is approximately \$81,000 for each of the next five years.

11. DEPRECIATION POLICY

Aircraft and aerial cameras are depreciated on the straight-line basis at 10% per annum.
Buildings on leasehold land are depreciated on the straight-line basis at 5% per annum.
Other equipment is depreciated at varying rates from 10% to 30%.

12. PRIOR YEARS' INCOME TAXES

During 1969 a subsidiary was re-assessed for income taxes for the years 1966 and 1967. \$8,609 additional tax has been added to deficit for the 1966 year and \$4,716 for the 1967 year.

STA	FIEL	AZ	ADJ AZ	DIST	SIN	COS	± DE	± DN	EAS
385	355°00'00"	355°00'15"	491.330	087.5574	99619470	42.822	489		
386	321°01'11"	321°01'21"	4114.951	62678893	77918909	2570			
387	359°11'48"	359°11'54"	7396.395	0140203					
387A	114°	101°	2871.101						



SPECIFICATIONS FOR
GRAPHICAL MAPPING

A.P.R. - COMPUTATION REPORT

Drift Angle Correction:
True air speed, statute m.p.h., x Distance, statute miles, x Sine Latitude x Sine

in:
between A.P.R. readings at suitable

FLIGHT INFO

